



**GYROSCOPE CAPITAL**  
— MANAGEMENT GROUP —

*SMID Low Volatility Strategy*

## Reduced Equity Market Risk

• The 50%+ downturn in the broad U.S. equity market (represented by the S&P 500) which occurred in the aftermath of the 2008 financial crisis reminded many investors of the downside of market volatility.<sup>1</sup> The Low Volatility SMID Cap Portfolio tends to be less sensitive to market downturns.

## Commitment

• Michael Egan, the President of Gyroscope, has traditionally invested large sums into the U.S. SMID Cap Low Volatility Strategy in addition to investments in all other Gyroscope Capital model portfolio strategies.

## Transparency

• Gyroscope Capital claims compliance with the Global Investment Performance Standards (GIPS®). Also, Gyroscope Capital's Portfolio Managers make themselves available to articulate the investment process and answer advisor/investor questions.

## Team and Proprietary Model

• A team of investment and business professionals, complimented by a proprietary stock selection model, who take a “quantamental” (the combination of quantitative and fundamental investment styles) approach to unlock value.

The information supplied on this page is supplemental to the compliant presentation. Past performance is not indicative of future results.

<sup>1</sup>The S&P 500 Index closing price level was \$1,549.38 on Sept. 30<sup>th</sup>, 2007 and \$735.09 on Feb. 1, 2009 a change of -52.55%

The Merriam Webster dictionary defines risk as the “**Possibility of loss or injury.**”

In the context of investments\*, risk is defined as “The chance that an investment will lose value.”

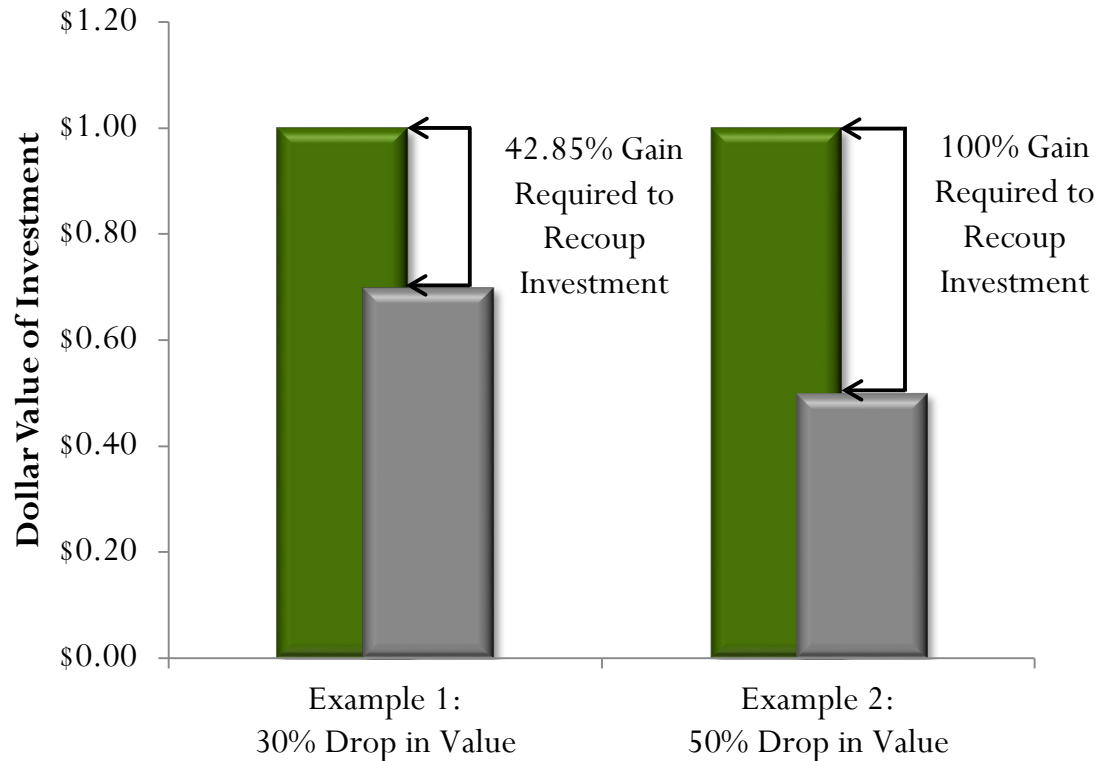
Modern Portfolio Theory suggests the following:

- ❑ The risk of a portfolio is measured as the variability of expected returns
- ❑ Company-specific risk can be reduced or eliminated through diversification
- ❑ Investors are compensated in accordance with their exposure to market risk

However, **numerous empirical studies<sup>1</sup> suggest that riskier assets *underperform* low-risk assets** over long investment horizons. In other words, these studies suggest that by *reducing* their exposure to market risk investors may achieve superior risk-adjusted performance.

\*To approximate the risk associated with a particular stock's returns, practitioners often use **standard deviation**, which quantifies the extent of fluctuations from a stock's mean return.  
<sup>1</sup>Baker, Bradley and Wurgler, “Benchmarks as Limits to Arbitrage: Understanding the Low Volatility Anomaly,” Financial Analysts Journal, 2011; Blitz and van Vliet, “The Volatility Effect: Lower Risk Without Lower Return,” Journal of Portfolio Management, 2007; Haugen and Hines, “Risk and the Rate of Return on Financial Assets: Some Old Wine in New Bottles,” Journal of Financial and Quantitative Analysis, 1975.

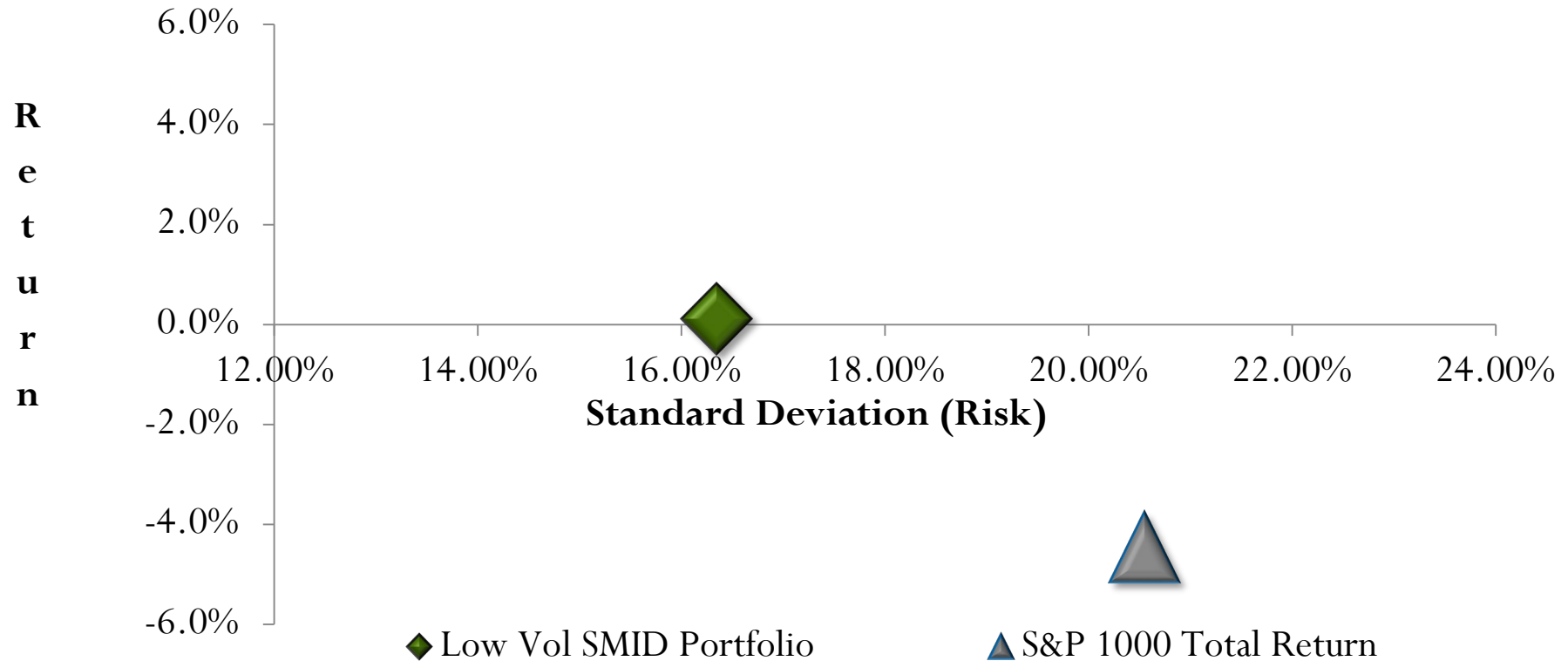
*Volatility Drag* is the compounding effect of losses that impedes portfolio returns.



**The Low Volatility SMID Cap Portfolio attempts to reduce Volatility Drag relative to the S&P 1000 Total Return Index.**

As of 3/31/2020

### Three-Year Risk vs. Return Profile\*



	3-Year Std. Dev.*	3-Year Return*	Sharpe Ratio*
<b>Low Volatility Portfolio (Gross)*</b>	<b>16.38%</b>	<b>0.08%</b>	<b>0.01</b>
<b>S&amp;P 1000 Total Return Index</b>	<b>20.55%</b>	<b>-4.46%</b>	<b>-0.22</b>

\*Returns presented are annualized and are Gross of fees. The information supplied on this page is supplemental to the compliant presentation. Past performance is not indicative of future results.

<b>(as of 3/31/20)</b>	<b>Low Volatility Portfolio</b>	<b>S&amp;P 1000 Total Return Index</b>
Median Market Cap.	\$2.20B	\$1.19B
3-Year Beta (vs. S&P 1000 TR)	0.72	1.00
P/E Ratio (Trailing)	16.66	37.33
P/Sales Ratio	1.31	1.18
Dividend Yield (Indicated)	3.89%	2.27%
Number of Stocks	30	1001

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(as of 3/31/20)	Low Volatility Portfolio	S&P 500 Total Return Index
3-Year Upside Capture	62.83%	100%
3-Year Downside Capture	68.16%	100%
3-Year Standard Deviation	16.34%	20.55%
3-Year Max Drawdown	-27.46%	-30.58%

Performance is net of fees. Annualized Returns. See 'Appendix A' for a definitions of Upside Capture, Downside Capture, Standard Deviation, and Max Drawdown..  
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## Annualized Returns (as of 3/31/2020)

### GYROSCOPE CAPITAL SMID LOW VOLATILITY STRATEGY - MONTHLY COMPOSITE RETURNS (NET OF FEES AND EXPENSES†)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	0.36%	-8.03%	-21.29%										-27.36%
2019	6.69%	2.84%	1.60%	2.18%	-1.73%	4.60%	0.30%	-0.35%	0.21%	1.98%	2.54%	1.25%	24.16%
2018	-0.05%	-5.73%	2.43%	1.81%	3.72%	2.41%	1.67%	4.36%	0.79%	-3.34%	2.14%	-7.06%	2.41%
2017	0.68%	2.39%	1.61%	2.22%	-0.17%	1.31%	0.13%	-0.96%	0.91%	0.11%	3.33%	0.16%	12.28%

	Since Inception 1/1/16	Year-to-Date	1 Year	3Year	2017	2018	2019
SMID Cap Low Volatility (Gross of Fees)	1.51%	-27.29%	-18.85%	0.08%	12.73%	2.91%	24.48%
SMID Cap Low Volatility (Net of Fees)†	1.13%	-27.36%	-19.09%	-0.33%	12.28%	2.41%	24.16%
S&P 1000 Total Return Index	-3.23%	-30.58%	-23.52%	-4.46%	15.33%	-10.30%	25.14%
Russell 2500 Total Return Index	-1.76%	-29.72%	-22.47%	-3.10%	16.81%	-10.00%	27.77%

† Net fee reflects the Gross Fee minus the Average Weighted Management Fee for all strategy accounts for each period

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***Michael J. Egan, CFP® CIMA® - President / CIO***

Mr. Egan is Founder and President of Gyroscope Capital. His principal duties include advising financial advisors and their wealthy clients regarding investment management. Prior to Gyroscope Capital, Mr. Egan founded and managed the Corporate and Executive Services Group at Legg Mason and structured and executed swap and derivative transactions totaling over \$8 billion for Fortune 50 companies at American Express/Lehman Brothers.

Mr. Egan holds a Bachelor of Arts degree in Economics from the College of William and Mary, a Masters degree in Economics from New York University, and an MBA from Duke University. He is also a graduate of the London School of Economics and Political Science's General Course Program.



***Robert M. Carr, CIPM® - Lead Portfolio Manager, Head Trader***

Mr. Carr joined Gyroscope Capital Management Group in 2008. Mr. Carr has been Lead Portfolio Manager and Senior Trader since 2010 and has been instrumental in the development of the underlying multi-factor models and option overlay. Since his tenure as Portfolio Manager for the Dividend Income Strategy, the assets under management have grown from \$1.31 to over \$100MM. Mr. Carr also developed and implemented the Large Cap Low Volatility, S&P 500 Optimal Weight and Optimized Listed Option strategies. Mr. Carr also acts as a member of the Investment Committee, GIPS Compliance Officer and Chief Operations Officer.

Mr. Carr received a Bachelor of Science degree in Chemical Engineering from the University of Florida and a Master of Business Administration degree from Florida Gulf Coast University.



***Anthony L. Cirillo, CFA® - Portfolio Manager, Trader***

Mr. Cirillo joined Gyroscope Capital in 2016 to assist with the analysis, administration and security selection for the firm's large capitalization portfolios. His principal duties include preparation of materials for the Investment Committee, monitoring and maintenance of client accounts, and research on securities. Prior to joining Gyroscope Capital, Mr. Cirillo was employed with the private-equity firm SK2 Capital, where he worked as an Investment Analyst.

Mr. Cirillo holds a Bachelor of Science degree in Finance from Florida Gulf Coast University and holds the Chartered Financial Analyst (CFA) designation.

Gyroscope Capital Management Group, LLC (“GCMG”, “Gyroscope”, “Gyroscope Capital”, “Gyroscope Capital Management Group”) is an investment advisory firm located in Naples, FL.

Prospective clients and other interested parties can obtain a copy of the Compliant Presentation for the Large Cap Low Volatility Portfolio by contacting Robert Carr by phone at 239-219-0550 or by email at rcarr@gyroscopicapital.com.

Gyroscope Capital Management Group, LLC (“GCMG”) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. GCMG has been independently verified for the periods 10/1/2007 to 12/31/2017.

**SMID Low Volatility Composite** includes all portfolios that invest in SMID cap equities and for comparison purposes is measured against S&P 1000 Total Return Index. The minimum account size for this composite is \$50 thousand. The Low Volatility SMID Composite was created December 28, 2016.

The S&P 1000 Total Return Index is an appropriate benchmark for the SMID Low Volatility Portfolio Composite. S&P 1000 Total Return Index is a domestic equity index consisting of 1000 stocks representing small to mid-cap segment of the total U.S. equity market, commonly referred to as “SMID” cap. It is the type of equity index that tracks both the capital gains of a group of stocks over time, and assumes that any cash distributions, such as dividends, are reinvested back into the index.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm.

Returns are a composite of accounts invested in the SMID Low Volatility Strategy. To be included in the composite, a client’s portfolio must have at least 70% of the account value invested in the Strategy. Return calculations use accrual basis accounting. Portfolio return calculations and valuations are based on trade settlement date.

No leverage, derivatives, or short positions have been used in this composite.

The U.S. Dollar is the currency used to express performance.

Annual Composite Performance Results							
Year End	Total Firm Assets (millions)	Strategy Assets under Advisement (millions)	Composite Assets (USD) (millions)	Number of Accounts	Gross	Net Model Composite Fee	S&P 1000 TR Index
2019	282.7	2.36	1.35	8	24.48%	23.86%	25.14%
2018	229.3	0	0.76	5	2.91%	2.39%	-10.30%
2017	234.1	0	1.38	8	12.73%	12.17%	15.33%

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm’s policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

The portfolios’ value may diminish at any time due to adverse market conditions. Past performance is not indicative of future returns.

Returns are presented gross and net of fees and include the reinvestment of all income. Gross returns are shown as supplemental information and are stated gross of all fees for separately managed accounts (but not transaction costs) and gross of all fees for wrap accounts; net returns are expressed as Gross Fees minus the advisory fee most applicable to a majority of accounts 50 bps. Wrap fee accounts pay a fee based on a percentage of assets under management. Other than brokerage commissions this fee includes investment management, portfolio monitoring, and in some cases, custodial services. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year.

The Investment Committee uses equity research provided by several institutions, including but not limited to Wells Fargo Securities LLC, Standard & Poor’s Financial Services LLC, Credit Suisse Group

The investment management fee schedule for separately managed clients is between 35 to 130 bps. Actual investment advisory fees incurred by clients may vary.

Assets under advisement includes strategy assets that invest in a similar manner to the SMID Cap Low Volatility composite but for which GCMG only provides the model and does not transact within the accounts.

Gyroscope Capital Management Group (GCMG) is an investment adviser located in Naples, FL and founded in 2006. GCMG only transacts business in states where it is properly registered or in compliance with applicable state regulations. Individualized responses that involve actual or contemplated securities transactions or the rendering of personal investment advice for compensation will not be made absent compliance with all applicable investment adviser regulation requirements. Please contact the sender if there are any questions.

Illustrations used in this document are hypothetical. The results achieved by individual clients will vary and will depend on a number of factors including the particular underlying investments and their dividend yield, option market liquidity, interest rate levels, implied volatilities, and the client's expressed return and risk parameters at the time the service is initiated and during the term. Investors should carefully consider executing any trade using options and be aware of all the risks, including, but not limited to, receiving back less value than they invested. Past performance is not a guarantee of future returns.

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Cash flow is not guaranteed over any period. More information may be found on GCMG's Form ADV.

**Risk** – the chance that an investment's actual return will be different than expected. Risk includes the possibility of losing some or all of the original investment. Different versions of risk are usually measured by calculating the standard deviation of the historical returns or average returns of a specific investment. A high standard deviation indicates a high degree of risk. <http://www.investopedia.com/terms/r/risk.asp>

**Volatility** – a statistical measure of the dispersion of returns for a given security or market index. Volatility can either be measured by using the standard deviation or variance between returns from that same security or market index. Commonly, the higher the volatility, the riskier the security. <http://www.investopedia.com/terms/v/volatility.asp>

**Beta** – a measure of a security's or portfolio's volatility. A beta of 1 means that the security or portfolio is neither more nor less volatile or risky than the wider market. A beta of more than 1 indicates greater volatility and a beta less than 1 indicates less. Beta is an important component of the Capital Asset Pricing Model, which attempts to use volatility and risk to estimate expected returns. <http://financial-dictionary.thefreedictionary.com/Beta>

**Standard Deviation** - a measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. Standard deviation is calculated as the square root of variance. In finance, standard deviation is applied to the annual rate of return of an investment to measure the investment's volatility. Standard deviation is also known as historical volatility and is used by investors as a gauge for the amount of expected volatility. <http://www.investopedia.com/terms/s/standarddeviation.asp>

**Up-Side Capture Ratio** – a statistical measure of an investment manager's overall performance in up-markets. The up-market capture ratio is used to evaluate how well an investment manager performed relative to an index during periods when that index has risen. <http://www.investopedia.com/terms/u/up-market-capture-ratio.asp>

**Down-Side Capture Ratio** – a statistical measure of an investment manager's overall performance in down-markets. The down-market capture ratio is used to evaluate how well or poorly an investment manager performed relative to an index during periods when that index has dropped. <http://www.investopedia.com/terms/d/down-market-capture-ratio.asp>

**Maximum Drawdown** – the maximum loss from a peak to a trough of a portfolio, before a new peak is attained. Maximum Drawdown (MDD) is an indicator of downside risk over a specified time period. <http://www.investopedia.com/terms/m/maximum-drawdown-mdd.asp>

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